

PROPERTY • INTERIORS • ARCHITECTURE • GARDENS

# House & Home



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On Europe, the City  
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Before the Croatian war of independence in the early 1990s, this part of former Yugoslavia was a popular tourist destination. Now Croatia, which has 1,800km of coastline on the Adriatic – not counting its 1,185 islands – is back on the tourism map. The city of Dubrovnik, a Unesco World Heritage site in the south of the country, is one of the fastest growing destinations this year, according to Tui, a German tour operator.

“This is good news for investors who want to rent out their property. Prices in Dubrovnik have dropped far less than elsewhere in Croatia and sellers are willing to negotiate. Buyers like the climate and the lifestyle,” says Natasa Elakovic of Savills Croatia. Under Croatian law, any foreigner wishing to rent out a second home is required to form a company – specifically a Special Purpose Vehicle – in order to do so.

Savills Croatia is selling apartments and period houses to overseas buyers including Europeans, Russians and Americans who see the city and surrounding areas – such as the resort of Cavtat and the villages of Orasac and Zaton – as a good investment. The infrastructure still has a way to go but as Croatia heads towards fully joining the EU in July this year, this is improving. When the A1 from Zagreb to Vrgorac is finally extended to Dubrovnik it will be far easier for mainland Europeans to reach the area. The road is being extended to Ploce this year, but the exact route to Dubrovnik is still to be agreed.

Dubrovnik is popular in the winter months as temperatures rarely drop below 10C and most days are sunny. The well-preserved Old Town is easier to explore than as there are far fewer visitors than in the summer. By contrast, from July 10 to August 25, the Summer Festival – a cultural event that has been held since 1950 – attracts thousands of tourists. More than 10,000 people attended the opening ceremony last year. When cruise ships dock, the streets are swamped by about 1,500 visitors a day, much to the annoyance of locals. They are also not happy about a proposed golf course at the top of Mount Srđ, which overlooks Dubrovnik, as they are con-



This stone house overlooking Dubrovnik marina is for sale at €3.9m



Dubrovnik's fortified Old Town and harbour. Estate agents speculate that prices will begin to rise when Croatia joins the EU

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# Jewel of the Adriatic

Croatia property *Mary Wilson* visits the EU's next member state

cerned that the purity of their water could be affected.

Fifteen minutes' drive north of the city is Dubrovnik Sun Gardens, a waterside resort opened in July 2009, with 207 one- and two-bedroom residences ranging from 44 sq metres to 111 sq metres. The resort includes the Radisson Blu hotel, three pools and a sports centre with tennis courts, squash courts and football ground. It also operates a shuttle bus and boat transfers to the city, and an additional boat service to some of the nearby Elafiti islands. Before the war of the 1990s, there had been a successful holiday resort here but it was badly damaged and remained closed until being bought in 2008 by a London-based company, iO Adria.

The residences have been refurbished with contemporary interiors. Twenty-five units were sold in the

first phase and another 25 have just been put on the market, five of which are already sold. “The majority of our buyers have been cash rich and time poor with some sort of affinity to Croatia and the Adriatic,” says Julian Houchin, commercial director of iO Adria.

Owners benefit from free use of the sports facilities and spa (treatments and hire of sports equipment cost extra) and a 20 per cent discount at the resort's 13 restaurants. Prices range from €170,000 to €608,000, with management fees at €103 per sq metre per year. The drawback is that the apartments need to be available for rent, when not in use by owners – who are encouraged to use their property for just 35 days in peak season, which runs from June to September. “Clever investors don't come down in the summer at all because it improves

their rental return,” says Houchin. Owners receive 50 per cent of the rental income, with the remaining 50 per cent going to the management and maintenance of the building.

Ajdin Kolonic, a risk assessment manager who works for ABN Amro in Amsterdam, was the first person to invest in the project last year. He bought a one-bedroom apartment with sea and garden views. “I had some money, which I wanted to invest, and I felt this was a good opportunity,” he says. “So far, the rental returns have easily covered my [annual] outgoings. I have also stayed there more than I thought I would as I really enjoy the location and the facilities.”

Overlooking the resort in Orasac, where there are British, Macedonian and Russian homeowners, Savills Croatia is selling a stone house, in need of renovation, with a garden for

## Buying guide

- Purchase tax is 5 per cent
- Total buying costs are 7 to 8 per cent of the purchase price
- Any foreigner wishing to rent out a second home has to form a Special Purpose Vehicle
- Property tax is €1.98 per sq metre per year for second-home owners
- Mild climate

### What you can buy for ...

- **€500,000** A three-bedroom apartment in Lapad, Dubrovnik
- **€1m** A five-storey stone house just outside Old Town needing renovation



€499,900. On the doorstep of the Old Town, Savills is also selling a four-bedroom house with walled garden for €2.5m and in Lozica, a wealthy residential area on the edge of Dubrovnik, it is selling a four-bedroom waterfront house needing modernisation for €3.6m. In Ploce, a seven-bedroom property made up of two houses with pool, gym and terraced garden is for sale through Savills for €4.25m.

Michael Grimm of Engel & Völkers is marketing new two- and three-bedroom apartments in Lapad, an area of Dubrovnik with views of one of the few sandy beaches, priced from €273,000 to €682,000. The agent is also selling a stone house overlooking Dubrovnik marina and needing renovation for €3.9m. Grimm says: “Most vendors will consider dropping their price by 5 to 10 per cent but, in a few years' time, prices will begin to rise as purchasers will feel safer once Croatia is part of the EU. I am seeing more demand already.”

Before 2009 it could take months to register a property to a foreign buyer but legislation has changed. Outside the EU, buyers' countries of origin must have signed a contract of reciprocity with Croatia to allow them to own property as an individual (nine states in the US are yet to do this). Buyers from countries that haven't signed such an agreement will have to purchase through a company.

*Mary Wilson was a guest of Dubrovnik Sun Gardens*